

Message Text

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PAGE 01 MANILA 08524 231323Z
ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 PA-01 JUSE-00 FTC-01 /096 W
-----087760 231803Z /42

R 231239Z MAY 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 6154
INFO AMEMBASSY BANGKOK
AMCONSUL HONG KONG
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI

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E.O. 11652: N/A
TAGS: EINV, RP
SUBJECT: PD 1352 WIPES OUT TAX-FREE IMPORTATIONS (V)
REF: MANILA 8219 AND PREVIOUS

1. SUMMARY: AMCHAM HAS WEIGHED IN WITH PRESIDENT MARCOS ON PD 1352, AND EMBASSY ALSO HAS DISCUSSED WITH DFA. LATTER SOURCE MODERATELY ENCOURAGING. END SUMMARY.

2. TO UPDATE STATE OF PLAY ON SUBJECT PROBLEM, WE CAN REPORT THAT AMCHAM PRESIDENT GEORGE SUTER WROTE TO PRESIDENT MARCOS MAY 18 TO INVITE HIS ATTENTION TO "SOME OF THE SERIOUS PROBLEMS NOW AFFECTING MANY OF OUR MEMBERS AS A RESULT OF PD 1352" AND TO ASK PRESIDENT FOR A MEETING TO DISCUSS MATTER. COPIES OF LETTER WENT TO LIMITED OFFICIAL USE

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SECRETARIES OF INDUSTRY PATERNO, FINANCE VIRATA, AND TRADE QUIAZON. SUTER GAVE EMBASSY COPY WHICH WE ARE POUCHING TO EA/PHL.

3. EMBASSY'S ECONOMIC COUNSELOR ON MAY 23 SAW DFA'S TOMAS SYQUIA IN BUREAU OF ECONOMIC AFFAIRS TO BRING THE PROBLEM TO THAT DEPARTMENT'S ATTENTION AND TO PROVIDE IT

WITH COPY OF SUTER'S MAY 18 LETTER. WE ALSO LEFT BRIEF AIDE-MEMOIRE MERELY SAYING THAT PD 1352 IS CAUSING FINANCIAL PROBLEMS FOR SOME AMERICAN INVESTORS AND WILL LIKELY HAVE AN ADVERSE EFFECT ON PHILIPPINE INVESTMENT CLIMATE.

4. SYQUIA SAID THAT PHILIPPINE EXPORT COUNCIL IS IN PROCESS OF BRINGING PROBLEM BEFORE THE CABINET, AND BASICALLY WILL REQUEST CONTINUATION OF TAX-FREE IMPORTATION PRIVILEGES OF BOI-REGISTERED FIRMS FOR THE FULL TERM ESTABLISHED WHEN INVESTORS QUALIFIED FOR THESE PRIVILEGES. SYQUIA BELIEVED THAT THIS GRANDFATHER STATUS, WHICH HE SAID IS SUPPORTED BY THE BOARD OF INVESTMENTS, WOULD ELIMINATE THE CURRENT PROBLEM FOR MORE THAN 50 PERCENT OF AFFECTED FIRMS.

5. SYQUIA SAID THAT ACTION WITHIN GOP IS AWAITING RETURN OF FINANCE MINISTER VIRATA FROM ABROAD. SYQUIA FURTHER SAID THAT PROBLEM OF PD 1352 WAS CREATED WHEN IT WAS ISSUED WITHOUT IMPLEMENTING GUIDELINES, AND THAT AMELIORATIVE ACTION THAT HE EXPECTS TO BE TAKEN BY GOP WILL BE ACCOMPLISHED VIA BELATED ISSUANCE OF SUCH GUIDELINES.

6. EMBASSY WILL CONTINUE TO MONITOR THIS SITUATION CLOSELY. FOR THE MOMENT WE PLAN NO FURTHER OFFICIAL APPROACHES. MEANWHILE WE CONTINUE TO RECEIVE COMPLAINTS LIMITED OFFICIAL USE

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FROM AFFECTED AMERICAN FIRMS. TOUSSAINT

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NNN

Message Attributes

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